

UK watchdog may step in to protect UK businesses from climbing card fees

Article

The news: The UK's **Payment Systems Regulator (PSR)** sent information requests to card networks after finding merchant fees have “increased significantly” in recent years, per the regulator's annual plan and budget.

More on this: The PSR's [plans](#) for the year include possible interventions like price caps to remedy recent increases in cross-border interchange fees and scheme fees.

- The PSR said **account-to-account (A2A) payments** were an alternative that can “**put competitive pressure on the card systems.**”
- It is also helping develop a regulatory framework for **new payment systems like crypto.**

The bigger picture: There have been a slew of high-profile fee-related court cases in the UK, and **Amazon** only recently ended its spat with **Visa** over fees. Now, **more than 100,000 companies** plan to sue Mastercard and Visa alleging the networks charged excessively high fees on corporate credit cards.

- Higher card fees in the UK can be attributed in part to the country leaving the EU, which caps the fees card networks are allowed to set for merchants to accept cards. This cap no longer applies to the UK, leading Mastercard and Visa to raise fees.
- Tougher UK regulations could affect card network fees abroad. Britain’s situation bears similarities to the US, where retail trade groups are lobbying for Congress to block card network fee increases.

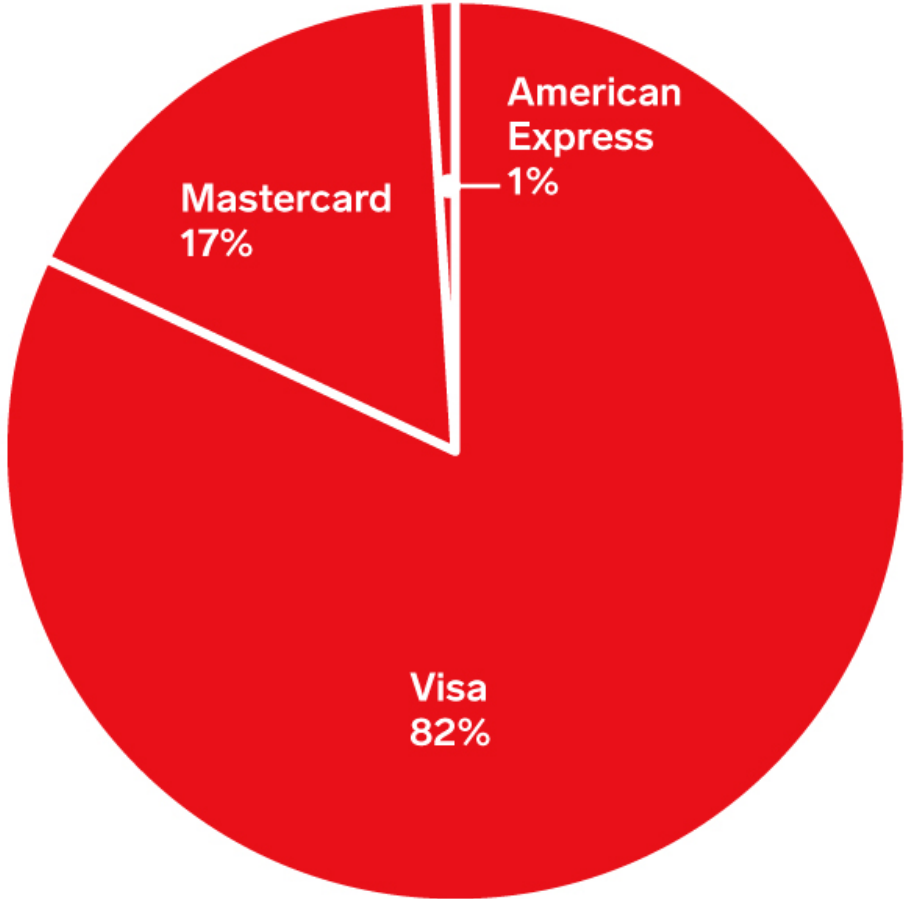
The big takeaway: We predicted that UK regulators could toughen up on card networks as fee-related tensions threaten to bubble over.

- Visa and Mastercard will have to contend with the rise of **alternative payment methods** like buy now, pay later (BNPL) and A2A payments. Growing dissatisfaction over card fees could help these alternatives gain more market share.
- If the PSR cuts barriers to retailers taking up A2A payments, more major issuers will likely enter the market and join a rapidly growing competitive landscape that includes Moneyhub and **Tink**.

Swipe fees will remain a point of friction between merchants and card networks. This pressure could lead networks to lower fees or cancel planned increases—or **force regulators to draft new rules** to clamp down on card networks and protect consumers.

Share of Card Brands Used in the UK, 2019

% of total



Source: FIS, "The 2021 Global Payments Report," April 21, 2021

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